

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

..title

AN ORDINANCE related to elections; limiting independent expenditures by foreign-influenced corporations and contributions to independent expenditure committees and clarifying reporting requirements; amending Sections 2.04.010, 2.04.260, 2.04.270, 2.04.280, 2.04.360, and 2.04.370 of the Seattle Municipal Code; and adding a new Section 2.04.400.

..body

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The City Council hereby makes the following findings of fact:

A. Independent expenditure committees are a growing phenomenon in local elections and in Washington State.

B. Large contributions to independent expenditure committees pose the risk of corruption or the appearance of corruption, even if the independent expenditure committees do not coordinate with political campaigns.

C. Current laws allow donors to circumvent limits on contributions to candidates by making unlimited contributions to independent expenditure committees.

D. Independent expenditures in Seattle's 2017 election were more than double the amount of independent expenditures in 2013, the previous year with a Mayoral election, according to data collected by the Seattle Ethics and Elections Commission.

E. To protect the integrity of Seattle's democracy, it is necessary to place limits on contributions to independent expenditure committees

F. The United States government has concluded that the 2016 presidential election was subject to extensive foreign involvement, as set forth in the U.S. Director of National

1 Intelligence’s January 2017 report on “Assessing Russian Activities and Intentions in Recent US
2 Elections.”

3 G. The United States government has concluded that Russia, China, Iran and other
4 foreign actors are engaged in ongoing campaigns to undermine democratic institutions, as set
5 forth in the joint statement “Combating Foreign Influence in U.S. Elections,” issued by the
6 Office of the Director of National Intelligence (ODNI), Department of Justice (DOJ), Federal
7 Bureau of Investigation (FBI), and Department of Homeland Security (DHS) on October 19,
8 2018.

9 H. The FBI has concluded that foreign influence operations include “criminal efforts to
10 suppress voting and provide illegal campaign financing,” as set forth in FBI Director Christopher
11 Wray’s press briefing on election security on August 2, 2018.

12 I. The United States Congress and the U.S. Supreme Court have recognized the need to
13 protect U.S. elections (including local elections) from foreign influence through the ban on
14 contributions and expenditures by foreign nationals imposed by 52 U.S.C. 30121 and upheld by
15 the Supreme Court in *Bluman v. Federal Election Commission*, 800 F. Supp. 2d 281 (D.D.C.
16 2011).

17 J. Current law does not adequately protect against foreign interference through corporate
18 political spending by U.S. corporations with significant foreign ownership, as explained by
19 Federal Election Commissioner Ellen Weintraub in her July 19, 2017 statement “How Our
20 Broken Campaign Finance System Could Allow Foreign Governments to Buy Influence in Our
21 Elections and What We Can Do About It.”

K. Federal law and academic literature on corporate governance recognize that a single shareholder owning one percent or more of shares may be in a position to influence corporate decision-making.

L. Corporations with foreign ownership have been politically active in recent years, including in local elections around the country.

Section 2. Section 2.04.010 of the Seattle Municipal Code, last amended by Ordinance 124694, is amended as follows:

2.04.010 Definitions((,))

* * *

"Candidate" means any individual who seeks election to the office of Mayor, member of the City Council, or City Attorney of the City, whether or not successfully. An individual is deemed to seek election when ~~((he or she))~~ the individual first:

1. Solicits or receives contributions; or

2. Makes expenditures or reserves space or facilities with intent to promote ~~((his or her))~~ the individual's candidacy for office; or

3. Announces publicly or files for office; or

4. Purchases commercial advertising space or broadcast time to promote ~~((his or her))~~ the individual's candidacy; or

5. Makes expenditures or solicits or receives contributions to explore the possibility of seeking election to City office; or

6. Gives ~~((his or her))~~ consent to another person to take on behalf of the individual any of the actions in subsections 1, 2, 4 or 5 of this section.

"Charter" means the Charter of The City of Seattle.

"Chief executive officer" means the highest-ranking officer or decision-making individual with authority over a corporation's affairs.

"City" means The City of Seattle.

* * *

"Contribution" means a loan, loan guarantee, gift, deposit, subscription, forgiveness of indebtedness, donation, advance, pledge, payment, transfer of funds between political committees, or transfer of anything of value, including personal and professional services, for less than full consideration, but does not include:

~~((a) interest))~~ 1. Interest on moneys deposited in a political committee's account;

~~((b) ordinary))~~ 2. Ordinary home hospitality;

~~((c) the))~~ 3. The rendering of legal or accounting services on behalf of a candidate or an authorized political committee but only to the extent that the services are for the purpose of ensuring compliance with City, county or state election or public disclosure laws;

~~((d) the))~~ 4. The rendering of personal services of the sort commonly performed by volunteer campaign workers;

~~((e) incidental))~~ 5. Incidental expenses personally incurred by campaign workers not in excess of \$25, in the aggregate, during the applicable period, personally paid for by a volunteer campaign worker; or

~~((f) an))~~ 6. An internal political communication primarily limited to the members of a political party organization or political committee, or to the officers, management staff, or stockholders of a corporation or similar enterprise, or to the members of a labor organization or other membership organization. For purposes of this definition, "members" are those who ~~((i))~~

1 (a) regularly pay dues in exchange for benefits from the organization, or ~~(((ii)))~~ (b) are able to
2 vote, directly or indirectly, for at least one (1) member of the organization's governing board, or
3 ~~(((iii)))~~ (c) adhere to a code of conduct, the violation of which may subject the members to
4 sanctions that could adversely affect their livelihood, or ~~(((iv)))~~ (d) participate in the
5 organization's policy-formulating committees.

6 For the purposes of ~~((this chapter))~~ Chapter 2.04, contributions other than money or its
7 equivalents shall be deemed to have a money value equivalent to the fair market value of the
8 contribution. Sums paid for tickets to fundraising events such as dinners and parties are
9 contributions; however, the amount of any such contribution may be reduced for the purpose of
10 complying with the reporting requirements of this chapter by the actual cost of consumables
11 furnished in connection with the purchase of such tickets, and only the excess over actual cost of
12 such consumables shall be deemed a contribution. Without limiting the foregoing, the financing
13 by a person of the dissemination, distribution, or publication, in whole or in part, of broadcast,
14 written graphic, or other form of political advertising prepared or approved by a candidate, a
15 political committee, or the authorized agent of a candidate or political committee is a
16 contribution to the candidate or political committee.

17 "Corporation" means a corporation, company, limited liability company, limited
18 partnership, business trust, business association, or other similar entity.

19 "Elected ~~((Official))~~ official" means any person elected at a general or special election to
20 the office of Mayor, member of the City Council, or City Attorney of the City and any person
21 appointed to fill a vacancy in any such office.

22 * * *

23 "Final report" means the report described as a final report in Section 2.04.375.

1 “Foreign-influenced corporation” means a corporation for which at least one of the
2 following conditions is met:

3 1. A single foreign owner holds, owns, controls, or otherwise has direct or indirect
4 beneficial ownership of one percent or more of the total equity, outstanding voting shares,
5 membership units, or other applicable ownership interests of the corporation;

6 2. Two or more foreign owners, in aggregate, hold, own, control, or otherwise have
7 direct or indirect beneficial ownership of five percent or more of the total equity, outstanding
8 voting shares, membership units, or other applicable ownership interests of the corporation; or

9 3. A foreign owner participates directly or indirectly in the corporation’s decision-
10 making process with respect to the corporation’s political activities in the United States.

11 “Foreign investor” means a person or entity that:

12 1. Holds, owns, controls, or otherwise has direct or indirect beneficial ownership of
13 equity, outstanding voting shares, membership units, or other applicable ownership interests of a
14 corporation; and

15 2. Is a government of a foreign country; a foreign political party; a partnership,
16 association, corporation, organization, or other combination of persons organized under the laws
17 of or having its principal place of business in a foreign country; or an individual who is not a
18 citizen of the United States or a national of the United States and who is not lawfully admitted
19 for permanent residence.

20 “Foreign owner” means (1) a foreign investor; or (2) a corporation wherein a foreign
21 investor holds, owns, controls, or otherwise has directly or indirectly acquired beneficial
22 ownership of equity or voting shares in an amount that is equal to or greater than 50 percent of
23 the total equity or outstanding voting shares.

1 "In-kind labor" means services provided by a person who volunteers all, or a portion, of
2 ~~((his/her))~~ the person's time to a candidate's election campaign, and who is not paid by any
3 person for such services.

4 "Independent expenditure" means an expenditure on behalf of~~((;))~~ or opposing any
5 election campaign, when such expenditure:

6 1. _____ ~~((is))~~ Is made independently of the candidate, ~~((his/her))~~ the candidate's political
7 committee~~((;))~~ or agent, or ~~((of))~~ any ballot proposition committee or its officers or agents~~((;))~~;

8 2. _____ ~~((and when such expenditure is))~~ Is made without the prior consent, or the
9 collusion~~((;))~~ or ~~((the))~~ cooperation, of the candidate; ~~((or his/her))~~ the candidate's agent or
10 political committee, or the ballot proposition committee or its officers or agents; ~~((;))~~ and

11 3. _____ ~~((when such expenditure is))~~ Is not a contribution as defined in this Section
12 2.04.010.

13 An independent expenditure is made by a person on the earliest of the following events:
14 (a) the person agrees with a vendor or provider of services to make an independent expenditure;
15 or (b) the person incurs the obligation to make an independent expenditure; or (c) the person
16 pays for an independent expenditure.

17 "Independent expenditure committee" means any political committee that makes an
18 independent expenditure, or makes contributions to other independent expenditure committees,
19 totaling \$1,000 or more in an election cycle for a City election.

20 "Knowledge." A person knows or acts knowingly or with knowledge when:

21 1. ~~((the))~~ The person is aware of a fact, facts, or circumstances or result described by
22 an offense in this ~~((title))~~ Title 2; or

2. ~~((he))~~ The person or she has information that would lead a reasonable person to believe that facts exist, which facts are described by an ordinance defining the offense in violation of this ~~((title))~~ Title 2.

* * *

"Political committee" means any person (except a candidate or an individual dealing with ~~((his))~~the individual's own funds or property) having the expectation of receiving contributions or making expenditures in support of, or opposition to, any candidate or any ballot proposition.

"Public Disclosure Commission (PDC)" means the Public Disclosure Commission established by RCW 42.17.350.

"Public office" means any elective office of the City.

"Qualified public communication" means any paid advertisement (including search engine marketing, display advertisements, video advertisements, native advertisements, and sponsorships) that communicates a message relating to any political matter of local importance, including (1) legislation, as defined in Section 2.06.010 of the Seattle Municipal Code, or (2) an elected official's position on such legislation, in an effort to influence the development, proposal, drafting, consideration, reconsideration, promotion, adoption, enactment, rejection, approval, disapproval veto, or failure to take action upon such legislation.

"Sponsor" means the candidate, political committee or person paying for the political advertising. If a person acts as an agent for another or is reimbursed by another for the payment, the agent's principal or the source of the reimbursement is the sponsor.

As used in this chapter, the singular shall include the plural and conversely, and any gender, any other, as the context requires.

Section 3. Section 2.04.260 of the Seattle Municipal Code, last amended by Ordinance 123070, is amended as follows:

2.04.260 Treasurer's reports—Contents((;))

A. Each report required under Section 2.04.250 shall disclose:

1. The funds on hand at the beginning of the reporting period;

2. The name and address of each person who has made one or more contributions during the reporting period, together with:

a. The money value and date of each contribution((;));

b. The aggregate value of all contributions received from each such person during the applicable period((;));

c. The occupation and the employer's name, city and state of each individual whose contributions in the aggregate during the applicable period exceed \$100.

Contributions of \$25 or less in the aggregate from any one person during the applicable period may be reported as one lump sum so long as the campaign treasurer maintains a separate list of the contributor's names, addresses, and the amounts of each of their contributions but if the treasurer does not maintain such a list, then the name, address, and amount of each contribution shall be reported;

d. A copy of the certification provided pursuant to subsection 2.04.270.D by the chief executive officer of any corporation making a contribution, that the corporation is not a foreign-influenced corporation.

3. Each loan, promissory note, or security instrument to be used by or for the benefit of the candidate or political committee made by any person, together with the names and addresses

1 of the lender and each person liable directly, indirectly, or contingently and the date and amount
2 of each such loan, promissory note, or security instrument;

3 4. The name and address of each political committee from which the reporting
4 committee or candidate received, or to which that committee or candidate made, any transfer of
5 funds, together with the amounts, dates, and purpose of all such transfers;

6 5. All other contributions not otherwise listed or exempted;

7 6. The name and address of each person to whom one or more expenditures were
8 made in the aggregate amount of more than \$50 during the reporting period, and the amount, date,
9 and purpose of each such expenditure;

10 7. The total sum of expenditures;

11 8. The surplus or deficit of contributions over expenditures;

12 9. The disposition made of any surplus of contributions over expenditures;

13 10. Such other information as the Commission requires by rule adopted pursuant to
14 the Administrative Code in conformance with the policies and purposes of ~~((this chapter))~~ Chapter
15 2.04;

16 11. Funds received from a political committee not domiciled in the state and not
17 otherwise required to report under this ~~((chapter))~~ Chapter 2.04 (a "nonreporting committee").
18 Such funds shall be returned unless the nonreporting committee files with the City Clerk no later
19 than the tenth day of the month following any month in which a contribution is made a statement
20 disclosing:

21 a. The name and address of the nonreporting committee,

1 b. The purposes of the nonreporting committee,

2 c. The names, addresses, and titles of its officers or, if it has no officers, the
3 names, addresses, and titles of its responsible leaders,

4 d. A statement whether the nonreporting committee is a continuing one,

5 e. The name and office sought of each candidate in the City in support of
6 whom the nonreporting committee made an expenditure,

7 f. The City ballot proposition concerning which the nonreporting committee
8 made an expenditure, and whether such committee is in favor of or opposed to such proposition,

9 g. The name and address of each person residing in the state or corporation
10 which has a place of business in the state that has made one or more contributions in the aggregate
11 of more than \$25 to the nonreporting committee during the current calendar year, together with
12 the money value and date of such contributions,

13 h. The name and address of each person in the state to whom an expenditure
14 was made by the nonreporting committee on behalf of a candidate or political committee, the
15 amount, date and purpose of such expenditure, and the total sum of such expenditures; and

16 12. Investments made of campaign funds under Section 2.04.215 and interest
17 dividends and/or other income received.

18 B. The correctness of each report shall be certified as required by all applicable laws and
19 ordinances.

20 Section 4. Section 2.04.270 of the Seattle Municipal Code, last amended by Ordinance
21 124694, is amended as follows:

2.04.270 Independent expenditures; contributions to out-of-state committees—reports((:))

* * *

B. 1. Any person who contributes in the aggregate an amount of \$100 or more during the preceding 12 month period to any political committee not domiciled in the state or not otherwise required to report under this ~~((chapter))~~ Chapter 2.04, if the person reasonably expects such political committee to make contributions or independent expenditures in respect to any election covered by this ~~((chapter))~~ Chapter 2.04, shall file with the City Clerk a report signed by the contributor disclosing the contributor's name and address, the date, nature, purpose, amount, and recipient of such contribution, and any instructions given as to the use or disbursement of such contribution.

2. The initial report shall be filed with the City Clerk within five days after the date on which the amount of \$100 or more is reached, and each subsequent report shall be filed within five days after each subsequent contribution is made to the same such political committee.

C. A person with the expectation of making an independent expenditure or expenditures by disseminating an advertising message or messages that the person reasonably expects to be received, read, viewed or heard by 1,000 or more individuals in a single calendar year shall, within two business days after the initial dissemination of the advertisement, deliver a copy of each such advertisement to the offices of the Commission, along with a statement disclosing the method of dissemination of the advertisement and an estimate of the expected quantity of the advertising. This requirement applies only to all independent expenditures that are required to be reported, i.e., an individual spending \$100 or more of ~~((his or her))~~ the individual's own funds and anyone spending any amount of the funds of others. This disclosure

does not substitute for the disclosure requirements of other sections of this ~~((chapter))~~ Chapter 2.04.

D. Any corporation making an independent expenditure or contributing to an independent expenditure committee shall, within seven business days after making such expenditure or contribution, file with the City Clerk a statement of certification signed by its chief executive officer under penalty of perjury, avowing that after due inquiry, the corporation was not a foreign-influenced corporation on the date such expenditure or contribution was made. The corporation shall also provide a copy of the statement of certification to any independent expenditure committee to which it makes a contribution.

Section 5. Section 2.04.280 of the Seattle Municipal Code, last amended by Ordinance 123070, is amended as follows:

2.04.280 Commercial advertisers' duty to report~~((:))~~

A. Each commercial advertiser that has accepted or provided political advertising during the election campaign and/or qualified public communication shall maintain documents and books of account open for public inspection during normal business hours through the campaign and for a period of no less than three years after the date of the applicable election. In the case of a qualified public communication, each commercial advertiser shall maintain documents and books of account open for public inspection from the first date on which the qualified public communication appears and for no less than four years after the last date on which the qualified public communication appeared. ~~((during normal business hours,))~~ Such documents and books of account ~~((which))~~ shall ~~((specify))~~ contain:

1. The names and addresses of persons from whom it accepted political advertising or qualified public communications, including, if the person is a business entity, a list

1 of the chief executive officers or members of the executive committee or of the board of
2 directors of such entity;

3 2. The exact nature and extent of the advertising services rendered, including
4 information regarding:

5 a. The rates charged for the advertisement;

6 b. The name of:

7 1) The candidate or elected official to which the advertisement
8 refers and the office to which the candidate is seeking election or which the elected official
9 holds,

10 2) The election to which the advertisement refers, or

11 3) The legislative issue to which the advertisement refers (as
12 applicable);

13 c. In the case of services provided to or on behalf of, a candidate, the name
14 of the candidate, the authorized committee of the candidate, and the treasurer of such committee;
15 and

16 3. The consideration and the manner of paying that consideration for such
17 services.

18 B. Each commercial advertiser that must comply with subsection 2.04.280.A (~~of this~~
19 ~~section~~)) shall deliver to the Executive Director, upon ~~((his or her))~~ the Director's request, copies
20 of such information as must be maintained open for public inspection pursuant to subsection
21 2.04.280.A.

22 Section 6. Section 2.04.360 of the Seattle Municipal Code, last amended by Ordinance
23 116368, is amended as follows:

2.04.360 Application.

Sections 2.04.350 through 2.04.370 (~~and 2.04.400 through 2.04.480~~) apply only to candidates in any primary, general or special election for the offices of Mayor, City Council and City Attorney of The City of Seattle.

Section 7. Section 2.04.370 of the Seattle Municipal Code, last amended by Ordinance 125611, is amended as follows:

2.04.370 Mandatory limitations on contributions to candidates

A. No person shall make a contribution to any candidate for Mayor, member of the City Council, or City Attorney of the City(~~(s)~~) except in the election cycle for that candidate as defined in Section 2.04.010.

B. No person shall contribute more than \$500 to any candidate for Mayor, member of the City Council, or City Attorney of the (~~(city)~~) City, in any election cycle.

C. A candidate for Mayor, member of the City Council, or City Attorney of the City(~~(s)~~) may only accept or receive a campaign contribution during an election cycle as defined in Section 2.04.010.

D. No candidate for Mayor, member of the City Council or City Attorney of the City shall solicit or receive campaign contributions of more than \$500 from any person in any election cycle.

E. The limitations imposed by this (~~(section)~~) Section 2.04.370 shall not apply to:

1. A candidate's contributions of (~~(his or her)~~) the candidate's own resources to (~~(his or her)~~) the candidate's own campaign, or contributions to the candidate's campaign by the candidate or the candidate's spouse or state registered domestic partner of their jointly owned assets;

2. Independent expenditures as defined by this Chapter 2.04 except as provided
by Section 2.04.400;

3. The value of in-kind labor; and

4. Contributions consisting of the rendering of clerical or computer services on
behalf of a candidate or an authorized political committee, to the extent that the services are for
the purpose of ensuring compliance with City, county, or state election or public disclosure laws.

F. The limitations imposed by this section shall apply to contributions of the candidate's
spouse's or state registered domestic partner's separate property.

G. The limitations in this Section 2.04.370 shall be adjusted commencing before the 2019
election cycle, and prior to each election cycle thereafter, by the Commission to account for
inflation or deflation using the consumer price index for urban wage earners and clerical workers,
CPI-W, or a successor index, for the period since the effective date of this measure or the prior
adjustment, as calculated by the United States Department of Labor. The declaration of the
Washington State Department of Labor and Industries every September 30 regarding the rate by
which Washington State's minimum wage rate is to be increased effective the following January
1, shall be the authoritative determination of the rate or percentage of increase or decrease to be
adjusted, except that the Commission may round off the new figures to amounts judged most
convenient for public understanding.

Section 8. A new Section 2.04.400 of the Seattle Municipal Code is added to Subchapter
IV of Chapter 2.04 as follows:

2.04.400 Limits on contributions to independent expenditure committees

A. In any election cycle, no person shall contribute more than \$5,000 to any independent
expenditure committee for use in elections in the City of Seattle. An independent expenditure

1 committee may dedicate any contributions over \$5,000 per person for use in elections outside of
2 the Seattle.

3 B. No foreign-influenced corporation shall make an independent expenditure or a
4 contribution to an independent expenditure committee.

5 Section 9. Severability. If any section, subsection, sentence, clause, phrase, or word of
6 this ordinance, or any application thereof to any person or circumstance, is held to be invalid or
7 unconstitutional by a decision of a court of competent jurisdiction, such decision shall not affect
8 the validity of the remaining portions or applications of the ordinance. The City Council hereby
9 declares that it would have passed this ordinance and each and every section, subsection,
10 sentence, clause, phrase, and word not declared invalid or unconstitutional without regard to
11 whether any portion of this ordinance or application thereof would be subsequently declared
12 invalid or unconstitutional.

Section 10. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the _____ day of _____, 2019,
and signed by me in open session in authentication of its passage this _____ day of _____, 2019.

President _____ of the City Council

Approved by me this _____ day of _____, 2019.

Jenny A. Durkan, Mayor

Filed by me this _____ day of _____, 2019.

Monica Martinez Simmons, City Clerk

(Seal)